



LOCAL GOVERNMENT AUDIT SERVICE

Statutory Audit Report

to the

Members of Leitrim County Council

for the

Year Ended 31 December 2012



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

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AUDITOR'S REPORT

TO THE MEMBERS OF LEITRIM COUNTY COUNCIL

1 Introduction

1.1 I have completed the statutory audit of the accounts of Leitrim County Council for the year ended 31st December 2012. My audit opinion, on the Annual Financial Statement (AFS) of the Council, which is unqualified, is stated on page 5 of the AFS.

1.2 This report is issued in accordance with Section 120 of the Local Government Act, 2001.

2 Main Issues

Attention is drawn to the following main issues in this report:

- Deterioration in the general revenue balance of €1.36m (paragraph 3.2).
- Decrease in collection yield in major revenue collections (paragraph 6).
- Planning bonds and refundable deposits (paragraph 7.1).

3 Financial Performance

3.1 The Income and Expenditure Account with comparative figures for the previous year may be summarised as follows:

	2012	2011
	€000	€000
Expenditure	41,950	43,200
Income	<u>40,545</u>	<u>43,856</u>
Surplus/(Deficit) for Year before Transfers	(1,405)	656
Transfers from / (to) Reserves	<u>44</u>	<u>(651)</u>
Overall Surplus for Year	(1,361)	5
Opening Balance at 1 st January	<u>(118)</u>	<u>(123)</u>
Closing Balance at 31 st December	<u>(1,479)</u>	<u>(118)</u>

3.2 The Council recorded a deterioration of €1.36m in the general revenue balance during 2012. It is imperative that strict budgetary controls be implemented to eliminate this deficit.

Manager's Response

While Leitrim County Council has continued to implement a programme of monitoring and review of expenditure to ensure that budgetary limits are not exceeded, the cumulative effect of externally imposed costs and cuts resulted in a deficit of €1.36m for 2012. The increase in the deficit can be attributed to the following uncontrollable once-off items:

- During 2012, the Council was obliged to make once-off gratuity payments to staff retiring under the 'Retirements Under Grace Period Scheme 2012' amounting to €1.064m
- Also as a consequence of the unforeseen number of employees availing of this scheme, the budgeted pension related deduction rebate was adversely affected to the tune of €65k
- A reduction of €291k in the Local Government Fund.

3.3 As required by Section 104 of the Local Government Act, 2001 the Council noted the AFS for 2012 and approved the over/under expenditure of the budget on various service divisions. Details of over / under expenditures on the revenue account are contained in note 17 of the AFS.

4 Financial Standing

4.1 The Balance Sheet shows net assets of €975m at 31 December 2012 consisting of the following:

	2012	2011
	€000	€000
Fixed Assets	956,472	829,056
Work in Progress and Preliminary Expenses	15,798	151,072
Long Term Debtors	11,299	10,707
Net Current Assets / (Liabilities)	11,903	14,531
Long Term Creditors	<u>(20,164)</u>	<u>(20,039)</u>
Net Assets	<u>975,308</u>	<u>985,327</u>
Represented by:		
Capitalisation Account	956,472	829,057
Income WIP	17,488	153,605
Specific Revenue Balance	957	957
General Revenue Balance	(1,479)	(118)
Other Balances	<u>1,870</u>	<u>1,826</u>
	<u>975,308</u>	<u>985,327</u>

4.2 Fixed Assets

The main movements in fixed assets in 2012 were due to the transfer of €131m relating to roads, water and sewerage assets from work in progress.

4.3 Property Interest Register

The Council needs to ensure work continues on the property interest register to ensure that it is properly maintained and reconciled with the fixed assets as reported in the AFS.

4.4 Current Debtors

Included in debtors is an amount of €687k due from the Department of the Environment, Community and Local Government (the Department) in respect of loan charges for a loan of €2m provided to a voluntary housing association to purchase development land in 2007. The proposed development did not take place, and is unlikely to in the short term. The loan was converted to an interest only loan in 2013, and it is has been agreed that it will be transferred to the Housing and Sustainable Communities Limited under the Land Aggregation Scheme in 2015.

5 Capital Account

5.1 The capital account records income and expenditure in respect of the acquisition and provision of assets related to services provided by the Council. It has been de-aggregated with the various accounts included under relevant account headings in the Balance Sheet.

A summary of the transactions on the capital account, with comparative figures for 2011 is as follows:

	2012	2011
	€000	€000
Expenditure (including transfers)	(11,325)	(15,931)
Income (including transfers)	<u>9,836</u>	<u>12,350</u>
Outturn for the year	(1,489)	(3,581)
Opening Balance Favourable /(Adverse)	<u>14,323</u>	<u>17,904</u>
Closing Balance Favourable /(Adverse)	<u>12,834</u>	<u>14,323</u>

5.2 The Council needs to ensure that all outstanding final accounts for water and waste water services projects are agreed and forwarded to the Department for settlement before the transfer of responsibility for the operational and capital delivery function of water services is transferred to Irish Water in January 2014. The Council also needs to determine whether there will be a shortfall in the funding of these projects and if so, a funding plan for any shortfall that may arise should be put in place.

5.3 A credit balance of €1.94m is included in the closing capital balance above, and relates to a fund set up to buy-back the Leitrim Leisure Centre in 2018. This was agreed as part of a public private partnership undertaken in 2005, and requires the Council to pay a sum of €6.1m for the centre in 2018.

5.4 A report on proposed capital projects for the period 2012 to 2014 was prepared under section 135 of the Local Government Act, 2001 and submitted to the members in January 2012.

6 Summary of Major Revenue Collections

6.1 Collection yields in respect of all of the major collection accounts continued to decrease in 2012 and needs to be substantially improved. The percentage yields from the main revenue collection accounts were as follows:

	2012	2011	2010
Rates	64%	72%	78%
Housing Rents and Annuities	91%	93%	94%
Commercial water	27%	37%	41%
Housing loans	65%	71%	74%

Commercial Water

The collection yield for commercial water charges at year end was only 27% with arrears amounting to €1.37m. The Council has made a provision of €421k for bad debts in relation to water charges.

Manager's Response

Commercial Water Charge collection has proven to be particularly difficult in recent years, this can be attributed to a number of factors including;

- A large number (circa.180) of group water schemes (GWS) supplied from the public mains in Leitrim. GWS account for 52% of the total arrears, with 43% of total arrears accounted for by just 10 schemes
- One commercial debtor accounts for 10% of the total arrears
- Excessive usage and leakages in a number of agricultural and GWS connections
- The economic downturn
- A number of GWS have agreed payment plans in place and a number of cases were referred to specialist debt recovery solicitors and are currently going through the courts
- It is envisaged that by the end of 2013 that a number of GWS will be taken over and transferred to Irish Water in 2014.

Commercial Rates

A bad debt provision of €113k (6%) has been provided for against commercial rates arrears of almost €2m. I consider this provision inadequate and recommend that it be reviewed in advance of the completion of the 2013 AFS.

Manager's Response

The importance of increasing the commercial rates bad debt provision for 2013 is acknowledged and every effort will be made to do so in 2013. This is very much dependent on the Council being able to afford this in 2013, and the aim would be to build this incrementally over the next number of years.

7 Specific Matters

7.1 Planning Bonds and Refundable Deposits

The Council has refundable cash deposits of €3.5m associated with developments not taken in charge, however there is no schedule linking these developments with the cash deposits held. Also in a number of cases, insurance bonds which were provided prior to the commencement of the development have expired. The estimated value of these expired bonds at the date of audit was €500k. I have recommended on previous audits that a current schedule of refundable deposits be maintained by the Council providing details of the development to which the deposit relates. Proper controls also need to be in place to monitor the expiry dates of insurance bonds, to ensure that they remain valid and are extended/ replaced where necessary.

Manager's Response

The Planning Department maintains a register of all planning bonds held by the Council, which is monitored on a regular basis. When bonds are nearing their expiry dates, developers are requested to either maintain the bond until the estate is taken in charge, or submit a refundable cash deposit in-lieu of the bond. However it has become increasingly evident that bond providers are no longer willing to put new bonds in place or to extend existing ones. While some developers submit a cash deposit in lieu of a bond, this is becoming increasingly difficult to collect. Cash deposits are required to be lodged prior to the commencement of the development, but many developers now try to negotiate a cash lodgement per unit rather than for the entire development.

The Council will endeavour to have all planning refundable deposits held at 31 December 2013, reconciled with the corresponding planning records prior to the completion of the 2013 AFS and subject to adequate resources being made available.

7.2 Unfinished Housing Estates

According to the Council's records, there were 42 unfinished housing developments at the end of 2012. The Council is unable to quantify the cost of any works that may be required in respect of these unfinished estates if they have to be taken in charge by the Council.

7.3 Purchasing Procedures

I noted deviations from the Council's own purchasing policy and procedures during the audit with several instances of retrospective approval for purchase orders after receipt of the goods and services. Apart from breaching the Council's own purchasing guidelines, this effectively means that Council staff are committing expenditure without following proper processes and impacting on budgetary control.

7.4 Internal Audit

A number of areas were reviewed by internal audit during 2012 and 2013, and I have placed reliance on this work when performing the audit.

8 Acknowledgement

I wish to record my appreciation for the courtesy and co-operation extended to me and my colleague by the management and staff of the Council.



Anne Halion
Local Government Auditor
22 November 2013